

Management

LIBRARY
COMMERCIAL RECORD
JUN 10 1947

BUSINESS CONDITIONS & FORECASTS

American Management Association 330 West 42nd Street, New York 18, N. Y.

VOL. 20, No. 5

MAY 31, 1947

Copyright 1947
American Management Association



The President's Scratch-Pad

AMA Casts Up Its Balance Sheet

WHEN AMA activities and management trends over the past year are viewed as a whole, it becomes apparent that the No. 1 management problem of the present day is communication—communication between management and employees, between the various levels of management, and even between executives of the same rank.

Primarily, however, the difficulty is communication between management and employees. In the large companies of today management is very often stymied when it tries to talk to the rank and file, either because it simply hasn't provided ways and means of transmitting information fast enough, or because it has forgotten how to speak in language employees understand.

This problem is sometimes stated in other terms: "We must give the employee a stake in the enterprise," some speakers have phrased it. But it goes without saying that the employee already has a stake in the enterprise—his whole livelihood depends on it. The only trouble is that few companies have been able to make him *feel* his identification with the enterprise, and the importance of his own efforts to its success.

It is noteworthy, too, that executives are beginning to realize that this is a problem which cuts straight across department lines. Production men talk of reduced labor productivity traceable to the fact that a good proportion of employees are simply not interested in their jobs. Financial men are awakening to the fact that the annual report may be a valuable means of transmitting in-

formation to employees, of correcting some of the misunderstandings which nourish their apathy to the welfare of the company as a whole. Packaging men, whose job is for the most part a technical one, have become conscious that a package design must be sold first to the whole organization, down to the newest retail clerk, if it is to be successfully sold to the public.

It would be ridiculous, of course, for AMA to claim that its programs during the past year have provided a pat solution to this problem, which is one that has grown up over decades and has its roots, in many cases, in economic and social factors outside the control of the individual management.

But it is possible to say that conference speakers have done something more than identify the difficulty and have a good cry over it. There are techniques which will minimize it, and AMA has presented some which are entirely specific and usable. Many companies have made good beginnings, and their executives have been willing to share their experience with others. A reading of AMA's conference proceedings for the past year will provide, if not a solution, suggestions for approaches that the individual company can modify to suit its needs, and go on from there to develop still better approaches.

We hope that many member companies will do just that, and that when they institute improvements, they will tell us about them, so that we can pass them on to other members—and thus fulfil AMA's primary function, which

(Continued on page 4)

TRENDS IN BUSINESS

GENERAL OUTLOOK

Prices in many lines are gradually sagging. By mid-May, for example Dun & Bradstreet's wholesale price index of 30 basic commodities was down to 252.86 from the peak of 269.20 reached earlier in the year (1930-32 = 100).

Buoyed up by durable goods, production indexes are still at postwar peaks, but there are signs of slackening in soft goods lines. "All branches of the cotton industry have now slowed down," reports *Business Week*.

Latest Census Bureau figures show a contra-seasonal rise in unemployment from March to April, amounting to about 90,000. The Bureau cautions, however, that a figure of that size is not significant, and it is notable that the increase in unemployment was accompanied by a rise in employment—to 56,700,000.

Building permit values in the 215 cities reporting to Dun & Bradstreet declined from March to April, when they might have expected to show a seasonal rise.

Despite all this, income of individuals is holding up—in April it exceeded the \$177 billion annual rate recorded in the first three months of the year.

MONEY AND CREDIT

Failures during the first four and a half months of 1947, were something over three times as numerous as in the same period of 1946, Dun & Bradstreet reports, 1,213 as against 400.

Moreover, the trend is still upward. In the latest week, the score was 88, as against 16 in the corresponding 1946 week. Three-fourths of the failures were in the manufacturing and retailing fields, and 73 were listed as large failures, involving liabilities of \$5,000 or more.

(Continued on page 2)

Trends in Business

(Continued)

DISTRIBUTION

Dollar volume of retail sales in April was 13 per cent above the corresponding month of 1946, even though there were three pre-Easter weeks in April last years, as against only one this year. Allowing for price rises, the dollar figures represent a slight decline in unit volume.

Dollar volume for the week ending May 14 was estimated at 8 to 12 per cent above last year.

PRODUCTION

Increases in durable goods production in April and early this month have kept total industrial output at record post-war levels. While lack of steel has caused production of cars and trucks to fall below high figures achieved earlier, the shortage may be soon corrected as other producers of durable goods catch up on backlogs.

CONSTRUCTION

Building permit values in April were down 2.9 per cent from the March total, and 5.1 per cent from April, 1946. In New York City, the decline was 63.1 per cent from March, and 39.6 per cent from April a year ago.

CORPORATE INCOME

Reporting on its tabulation of first-quarter statements, the National City Bank notes that combined net income of 385 representative companies is up 131 per cent over the first quarter of 1946, but down 2 per cent from the last quarter.

Spectacular gain over the corresponding period of last year, the bank points out, is due in large measure to the fact that many of the durable goods industries were hard hit by strikes and other production difficulties in the first quarter of 1946.

"Combined net earnings of 24 merchandising companies," says the bank's report, "despite an expansion of sales, showed a decline as compared with a year ago, reflecting growing buyer resistance to high prices, and the necessity for markdowns in order to move goods."

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

The Listening Post

Improvements • It may be debatable whether industrial relations in this country will ever mature to the point where good feeling on the part of both management and organized labor is the rule. But there are encouraging signs that both sides are beginning to regard strikes as temporary interruptions of production, and to bear in mind that they will have to work together again eventually and that, therefore, the less bitterness there is, the better for all.

Agreement on the part of the union to allow maintenance men to go through picket lines is fairly common. In one case, reported to AMA, the company did away with pickets entirely, by agreeing to let union committees inspect the plant at regular intervals to make sure it was not in operation. This same company also celebrated termination of a strike and the subsequent arbitration with a luncheon for union officials—who were so surprised and pleased they insisted the cost should come out of the union treasury.

Notable, too, is a clause in U. S. Steel's new contract, which provides that company executives and union officials will meet monthly, not for collective bargaining, but to iron out difficulties that may arise under the agreement. Just how this will work out, of course, is not known as yet, but on the face of it, it sounds like a sensible proposition.

On the other hand • Any optimistic forecasts that might be distilled from news like the foregoing, however, are rather hard to maintain in the face of some of the material running in union papers. The *CIO News* comic strip, "The Adventures of Jim Barry," currently presents Carruthers, dastardly mill owner, at the moment when he discovers his hired thugs have killed his own daughter, Ruby.

"I didn't know it was you, Ruby," the broken-hearted tycoon sobs, "I didn't want him to kill you . . . only one of those damn union girls."

Will Carruthers now see the light and call off his goons? Will he sign with the union?

You don't need to tune in on the next issue to know that he probably won't, not if you've been following Jim Barry's organizing efforts in the past.

Policy manuals • Research for AMA's soon-to-be-published study, *How*

to Prepare and Maintain a Supervisor's Policy Manual, indicates that it is quite common practice to review contents with first-line supervisors *before* the material is issued in book form. In some cases, discussions are utilized to give foremen a share in actual policy making. Forstmann Woolen Company, for example, maintains a year-round Mill Policy Board, which meets monthly to consider development of new policies and procedures and to examine existing practices. Membership includes overseers (general foremen), foremen and shift foremen, and the vice president in charge of personnel acts as chairman. Another company reports that it worked out the actual text of the manual in supervisors' conferences. This is a little unusual, however, and would probably slow things down too much for most companies. More common practice is to centralize the work of compilation and writing, even though all levels of management are consulted about the contents.

Prices • "Whatever reasons may be advanced why prices may have only a brief setback on the present occasion," said Chapin Hoskins, economist, speaking at the Production Conference, "the simple fact is that in the past the usual behavior of prices has been to decline for more than a quarter of a century after a great war."

"After the Napoleonic wars, commodity prices continued to decline, with only minor interruptions, for 30 years in this country. After our Civil War, prices declined 33 years. . . . In this country, the decline of 1920-22 was actually only the first step in a more serious postwar decline which terminated in 1932 in terms of the legal dollar."

Dishonest employees • One concomitant of a recession, according to James R. Rooney, Indemnity Insurance Company of North America, is generally an increase in the number of fidelity claims.

Speaking at the Insurance Conference, Mr. Rooney said: "Defalcations accumulate during profitable periods and are discovered during periods of recession. Thus the good experience of the war years may be turning. Recent discovery of many large losses supports this view."

JAMES O. RICE

RESEARCH DEPARTMENT

How to Increase Employee Productivity

What are the possibilities of increasing employee productivity through encouraging cooperation between management and employees? AMA tried to find out by sending questionnaires to over 700 companies believed to have some kind of formal program of cooperation. So far 175 replies have been received. Of these, 125 stated that they have such a program at present.

TYPE OF COOPERATION

Foreman-employee consultation. One hundred ten companies sent in plans designed to increase productivity through consultation of employees by members of management, mostly through meetings of foremen and their subordinates held on a departmental basis. Thirty-two companies have used planned foreman-employee consultation for more than five years, 22 from two to five years, 17 less than two years. Thirty-nine gave no indication of the length of cooperation, and eight said they had given it up.

Increasing productivity through consultation and communication up and down the line organization is considered to be most nearly in accordance with the thinking and experience of scientific management. But success with this technique, companies stressed, may require more highly qualified foremen—and to obtain them, it may be necessary to provide better pay and working conditions, more opportunity for work satisfaction. Improved foreman training, authority corresponding to responsibility, top management support, more effective communication from and to foremen, reduction of excessive work loads, were also mentioned as prerequisites.

Labor-management committees. Plant-wide committees consisting of representatives of management and employees may be helpful in increasing output when production problems extend beyond the scope of the individual department, when top management support and interest are more urgently required, and deficiencies of the supervisory force need to be overcome. Sixty-six companies reported on the operations of existing labor-management committees. Of these, 12 have been functioning for more than five years, 33 from two to five years, and 21 have been set up since V-J Day. Forty-two companies stated

that they had discontinued their labor-management committees.

Most of the existing committees meet frequently and discuss a wide range of subjects. A large number of prerequisites seem to be necessary for the operation of the labor-management committees, but where they are present, companies reported many beneficial results.

STRICTER DISCIPLINE

Twenty-eight companies believed that stricter discipline would be more conducive to an increase in productivity than consultation. Twenty-six companies felt that their unions had made no contribution toward increasing productivity in any way, twelve were doubtful about their union's contribution, and eight felt that the limit of their efforts to increase cooperation had been reached. Some of these companies thought that the absence of a formal plan of cooperation with their employees had not been detrimental to competitive efficiency. It should be noted here in regard to increasing discipline that 46 companies wrote that such a measure would not be helpful in raising productivity (17 thought a combination of increasing discipline and cooperation plans would be best). Forty-five companies reported that their unions made some kind of constructive contribution to the increase of productivity, and 79 stated that the limit of their efforts to increase cooperation had not yet been reached.

SPECIFIC METHODS

Many companies having formal programs to increase employee cooperation stressed the necessity of (1) asking their employees' advice and criticism rather than letting them make the final decision; (2) avoiding collective bargaining issues in the cooperation meetings; (3) top management support.

Subjects of discussion through foreman-employee consultation (I) and labor-management committees (II) were in order of frequency:

	I	II	TOTAL
1. Regular attendance	56	33	99
2. Safety	41	54	95
3. Furthering employee understanding of company policies ..	52	41	93
4. Elimination of waste	59	32	91
5. Job evaluation	28	39	67
6. Quality control ...	49	17	66
7. Maintenance of tools	44	19	63
8. Lateness	45	18	63
9. Physical working conditions	33	26	59

	I	II	TOTAL
10. Employee insurance plans	33	25	58
11. Employee health ..	31	22	53
12. Training, apprenticeship, induction programs	30	23	53
13. Methods improvement	33	19	52
14. Incentive system ..	27	22	49
15. Discipline control..	31	17	48
16. Labor turnover ...	27	16	43
17. Setting output standards	17	18	35
18. Production planning	23	12	35
19. Promotional programs	23	12	35
20. Utilization of machinery	27	7	34
21. Technological changes	21	8	29
22. Employment stabilization	19	4	23

As a direct result of these efforts, 56 companies stated that the cooperation of their employees was now better than before, nine said it was unchanged, and two stated it was worse.

INDUCEMENTS

Many companies felt that inducements should be given to their employees to increase productivity:

	NUMBER OF COMPANIES
Higher time wages	37
More stable employment	28
More generous benefit plans	28
Higher piece rates	15
More advisory functions for employees	9
Shorter hours	5

A number of companies stressed bonus plans, especially group bonuses, suggestion plans, and non-financial incentives.

RESEARCH REPORT PLANNED

AMA plans to publish an extensive research report, dealing with the topics briefly touched upon above. The report will also analyze company programs designed to increase productivity through formal plans of employee cooperation, the results accomplished, the reasons for success and failure. Special emphasis will be laid on: (1) unusual or especially successful methods of increasing foremen's ability to get cooperation from their employees; (2) important ways in which unions have aided in increasing productivity; (3) companies' future plans to increase employee productivity; (4) comparison of the relative effectiveness of increasing productivity through departmental foreman-employee consultation and plant-wide labor-management committees.

AMA would deeply appreciate information from members on some or all of the above topics.

A questionnaire will be sent on request and a report mailed to all participants.

ACTIVITIES of the AMA

Hancock to Speak on Atomic Energy At General Management Conference

Report on New Steel Contract to Be Given by John A. Stephens

John M. Hancock, member of the U. S. delegation to the United Nations Commission on atomic energy, will discuss "What Control of Atomic Energy Means to Management" at AMA's General Management Conference, scheduled for June 11-12, at the Waldorf-Astoria, New York City.

Mr. Hancock, partner, Lehman Brothers, and director of 22 leading American corporations is Chairman of the Association's Board of Directors. He will speak at a dinner session on the evening of June 11.

Also featured at the Conference will be a report on the new contract between U. S. Steel and the United Steelworkers union, to be given by John A. Stephens, Vice President, Industrial Relations, U. S. Steel Corporation of Delaware.

Another aspect of labor relations—"The Public Relations of Management's Labor Relations"—will be analyzed by Rodney Chase, Director of Public and Industrial Relations, Chase Brass and Copper Company. LeRoy H. Kurtz, Department of Public Relations, General Motors Corporation, will speak on "Policy: the Conscience of Business."

Another speaker will be H. E. Nourse, Vice President, United Air Lines, who will discuss "Top Management Staff for Planning and Research."

Since the Conference is planned for all divisions of the AMA, morning and afternoon sessions on June 11 will be devoted to reports by the division vice presidents on industrial and social changes affecting business policy in their fields.

At the close of the Wednesday afternoon session, the AMA will hold its annual business meeting. At that time President Alvin E. Dodd will present his annual report, new board members will be elected, and an informal discussion of Association activities will follow.

AMA Head to Present Paper At International Conference

AMA President Alvin E. Dodd will present a paper on "Business Management in the U. S. A." at the International Management Conference in Stockholm July 3-8.

The American delegation to the Conference, numbering about 150, will sail on the Drottningholm June 20.



JOHN M. HANCOCK

AMA Will Publish Manual For Operating Executives And Supervisors June 20

AMA will issue the first of a new series of publications on June 20, *The Management Leader's Manual*, for operating executives, supervisors, and foremen. New volumes in the series will be issued yearly, according to present plans.

Purpose of the *Manual*, like that of AMA's earlier publication, *The Foreman's Basic Reading Kit*, is to encourage more people to share management's thinking and to make it possible for them to do a better human relations job. While the material included is suitable for foremen as well as executives, none of it was included in the *Kit*, and the book can, therefore, serve as a supplement to that volume.

The *Manual* will contain approximately 200 pages, spiral-bound in blue leatherette stamped in gold foil. The pre-publication price is \$2.50 per copy. (Information on quantity discounts will be sent on request.)

The President's Scratch-Pad

(Continued from page 1)

is to act as a clearing house for good ideas.

Communication, then, has been the most far-reaching problem of the past year, but to consider it alone in any review of the season's work would be to slight tens of other good papers on other aspects of management. AMA believes that it has presented the latest advances in a number of more or less technical fields—in papers dealing with such subjects as a more scientific approach to pricing, job evaluation for management positions, measurement of work in the office, collective bargaining techniques, financial forecasting, package testing, to name just a few.

In addition, AMA has attempted to present the latest business thinking on various over-all economic problems—cyclical fluctuations, government regulations, the social responsibilities of business, and the like.

If the programs have been as helpful as we like to think they have been, however, the staff must disclaim the credit. Members of the Division Planning Councils and the hundreds of other executives who have contributed suggestions in answer to survey questionnaires are responsible. AMA is grateful to all who have contributed, and hopes that they will all continue to take an interest, and to offer criticism as well as new ideas, so that the organization's programs may continue to meet the needs of the membership.

Alvin E. Dodd

AMA Would Like to Have Copies of Union Contracts

In order to keep its files current, AMA would like to receive copies of union contracts presently in force. Particularly desired are white collar contracts, and those embodying any new or unusual provisions.

In any use that is made of this material, names of companies will not be mentioned without express permission.

Contracts should be sent to the AMA Research Department, at Association Headquarters, 330 West 42nd Street, New York 18, N. Y. Each contract received will be acknowledged.

1

ood

the
east
re-
to
her
ves
ces
ical
ub-
to
ent
the
ues,
, to

to
on
s—
legu-
of

oful
ow-
edit.
ning
ex-
ges-
ires
o all
that
rest,
new
pro-
ls of

d

AMA
nion
ticu-
acts,
un-

ma-
ot be
sion.
AMA
ation
street,
ct re-